

Business Indicators ♦ September 2011

Small Business in BC shows promise in 2010

This article is excerpted from the recently released report *British Columbia Small Business Profile, 2011*. The publication covers key aspects of the small business climate in BC.

The 2011 edition is available on our website: www.bcstats.gov.bc.ca

British Columbia's small business sector continues to play a key role in job creation and economic growth in the province. It is the province's primary provider of private sector jobs, reflecting an important and ongoing trend toward economic diversification within the provincial economy. Small business is also a vital source of innovation.

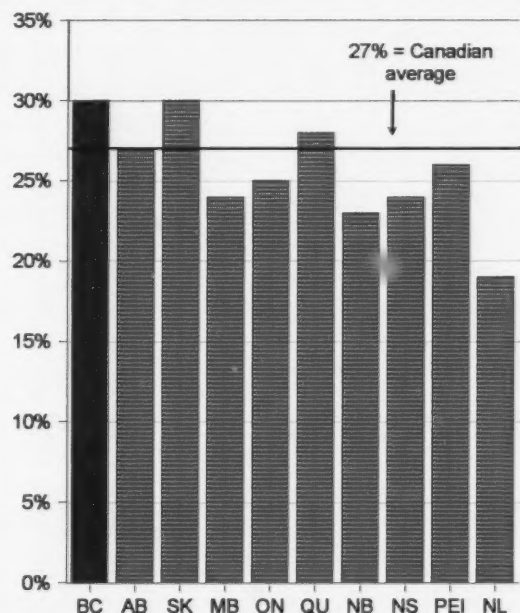
A business is defined as a small business if it is either:

- A business with fewer than 50 employees
- Operated by a self-employed person with no paid help

In 2010, small businesses in British Columbia accounted for 30% of the province's GDP, well above the national average of 27%. Saskatchewan's small business sector also accounted for 30% of that province's GDP, tying it with B.C. for the highest ratio in the country. The relatively high contribution to GDP in B.C. is due in part to the fact that the province has traditionally been more service sector-oriented than most other regions in Canada and that the nation's growth in small business is concentrated in service sector industries. The province with the smallest contribution to GDP from small business was

Newfoundland and Labrador (19%), which likely reflects the increased role of large business in that province's offshore oil industry.

*Small business contribution to GDP
by province, 2010*



Source: BC Stats

A total of 398,400 businesses were operating in British Columbia in 2010. Of these, 98% (391,700) were small businesses. More than half (56%) of all businesses in the province were run by self-employed people with no paid workers, or two percentage points higher than the national average of 54 percent. Only three provinces had a higher percentage: Saskatchewan, Manitoba and Ontario (57% each).

Small business growth slows in 2010

Between 2009 and 2010, the total number of small businesses operating in British Columbia inched down 0.1%, following a 2.9% boost recorded in 2009. The slight decline was due to a 0.2% slip in the number of self-employed unincorporated small businesses with no paid help, since the number of businesses with employees was relatively unchanged.

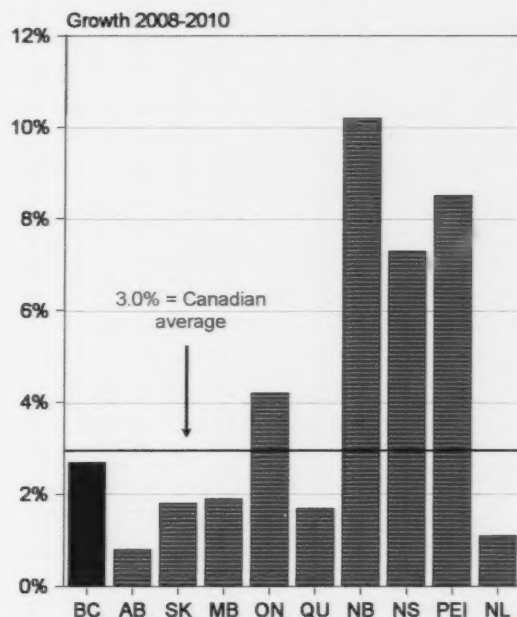
Various factors could account for this lull. For example, some self-employed workers may have shifted to paid employment as more jobs became available in the improving economy. Past trends show that the year-over-year fluctuation in the number of small businesses has historically been driven by variations in the number of self-employed individuals in the province. The lack of growth in businesses with employees could simply be the result of the lingering effects of the economic downturn.

Between 2007 and 2010, British Columbia saw an addition of approximately 9,000 small businesses, translating to a growth rate of 2.4% over the four-year period. However, all the growth was in 2009, as there was a slight decline from 2007 to 2008 and again in 2010.

Between 2008 and 2010, the number of small businesses in British Columbia climbed a solid 2.7%, slightly below the national growth average of 3.0%.¹ New Brunswick saw its number surge 10.2%, with Prince Edward Island (+8.5%) and Nova Scotia (+7.3%) right on its heels. Ontario (+4.2%) was the only other province to see higher small business growth than British Columbia, but every province recorded an increase over the period.

¹ Due to a methodological change in 2008, consistent data for British Columbia are only available back to 2007 and, for other provinces, BC Stats has access only to data back to 2008. As a result, time series analysis is only possible for the 2007 to 2010 period for British Columbia and the 2008 to 2010 period for the other provinces.

BC was slightly below the national average in growth in the number of small businesses between 2008 and 2010

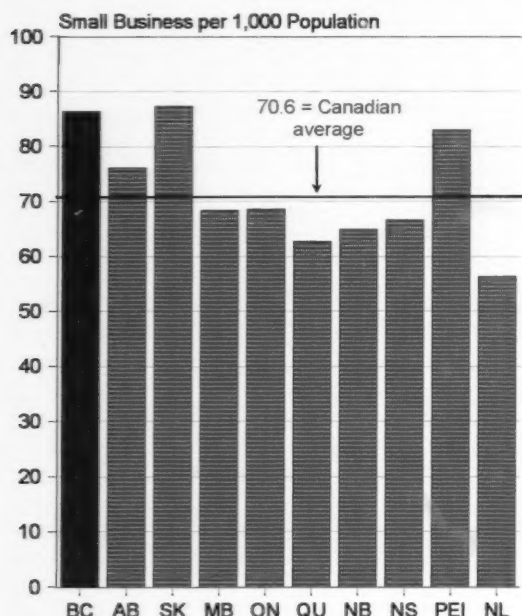


Source: BC Stats using data supplied by Statistics Canada

Western Canada generally has more small businesses per capita

Small business is consistently more prevalent in the western part of the country, at least in terms of businesses per capita. In 2010, British Columbia held on to its second place ranking among the provinces, boasting 86.4 small businesses per 1,000 people. Only Saskatchewan, with a rate of 87.3, had more small businesses per capita. Alberta (76.1) and Prince Edward Island (83.0) were the only other provinces to exceed the Canadian average of 70.6 small businesses per 1,000 people.

Small business is bigger in western Canada



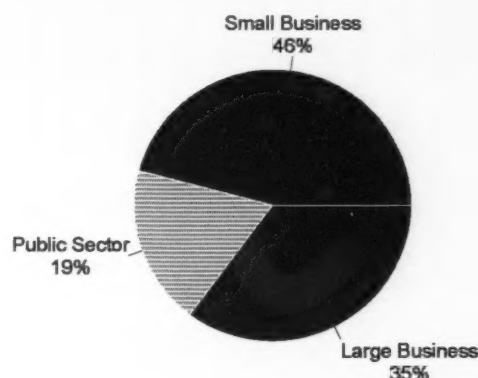
Source: BC Stats using data supplied by Statistics Canada

Small business accounts for nearly half of all jobs in the province

In 2010, small business accounted for approximately 1,038,300 jobs in British Columbia. This represents 46% of total employment in the province, the same share of jobs attributed to small business since 2007.

The private sector employed about 1,830,100 people in 2010 (including both small and large businesses). Of this total, 57% (1,038,300) were in small business, a ratio that has fluctuated only slightly over the past decade. Self-employed workers accounted for 24% of total private sector employment, while 33% worked for a small business. The remaining 43% of private sector workers were employees of large businesses.

Almost half the working people in BC worked in small business, 2010



Source: BC Stats using data supplied by Statistics Canada

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In 2010, small business employment climbed 1.3%, recovering well from a slip recorded in 2009 (-1.2%). This job boost was due entirely to an increase in the number of small business employees, which jumped 3.5% over 2009 levels. By contrast, self-employment slipped 1.6%, the first decline since 2001.

Between 2009 and 2010, British Columbia's small business employment growth compared favourably with that of other provinces. The province's 1.3% rate of growth in 2010 was nearly double that of

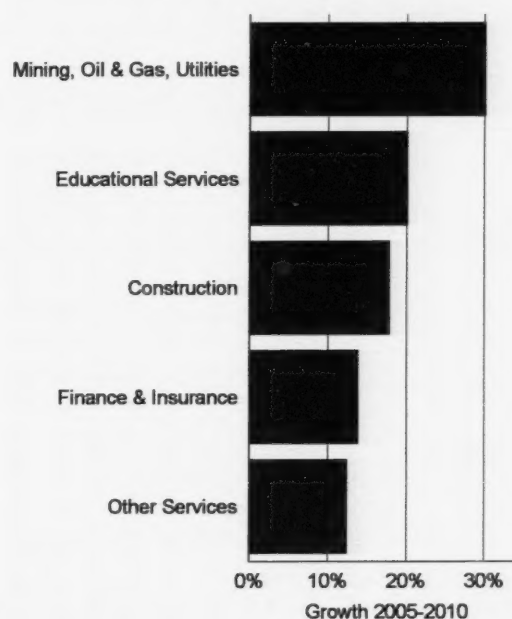
the Canadian average (+0.7%). Newfoundland and Labrador (+5.8%) led the nation in terms of small business growth in 2010, while Alberta (-1.8%) experienced the largest decrease.

Construction sector created the most new jobs between 2005 and 2010

Between 2005 and 2010, the construction industry was the largest provider of new small business jobs in B.C. with a notable employment increase of 17.8%.² During the five-year period, over 12,200 new jobs were created in this industry. The business services sector also added a substantial number of new jobs between 2005 and 2010, increasing its employment by 10.4% and creating around 9,700 jobs (despite a notable drop-off in 2009).

In terms of growth rates, the mining, oil & gas extraction and utilities industry recorded the greatest increase from 2005 to 2010, with a 30.0% surge in employment. The educational services sector also received a significant boost in employment, with an increase of 20.1% (an addition of about 2,200 jobs).

Small business employment – fastest growing industries in British Columbia, 2005-2010



Source: BC Stats using data supplied by Statistics Canada

Self-employment slips in 2010

Self-employed individuals – those who spend most of their working hours running their own businesses – are a sizeable part of British Columbia's workforce. In 2010, self-employment accounted for around 19% of total employment in the province. The long-term picture is similar, with the proportion of British Columbia's workforce comprised of self-employed workers hovering between just under 19% and 20% between 2005 and 2010.

In 2010, the number of self-employed persons, incorporated or unincorporated, without paid help was well over twice the number of self-employed with paid employees and this gap appears to be widening. Since 2005, the number of self-employed business owners operating with staff has declined (down 4.7% between 2005 and 2010), while those without employees have expanded substantially (+10.3%). This

² Unlike business counts, there has not been a data break with regard to employment data, such that it is possible to analyze trends over longer periods than is the case for establishment counts.

pattern was reconfirmed in 2010, when the number of self-employed individuals without employees climbed 1.7%, while the self-employed with staff slumped 8.0%.

In 2010, the overall number of self-employed workers in British Columbia declined 1.6%, or by approximately 6,900 workers. This slip marked the first decrease recorded since 2001. A myriad of factors can contribute to the ebb and flow in self-employment numbers, including the overall economic condition of the region over time. In the challenging global economic landscape of the past few years, it is possible that some people turned to self-employment in the face of layoffs or employment uncertainty. As the economic environment has begun to show signs of improving, some of these workers may have moved back into the employee workforce.

Self-employed characteristics differ from those of employees

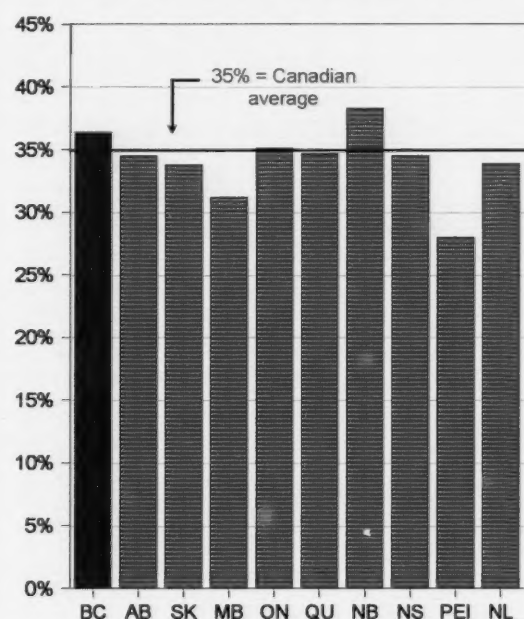
There are a number of differences between self-employed people and those who are employees of businesses. On average, self-employed people tend to be older, are more often men and work longer hours. Also, Aboriginals are less likely to be self-employed compared to non-Aboriginals.

More than half (52%) of British Columbia's self-employed people are between the ages of 35 and 54, while 45% of employees fall into this age category. Similarly, only 17% of self-employed business owners are under the age of 35, whereas 39% of employees fit this description. At the other end of the scale, nearly a third (31%) of entrepreneurs are aged 55 and over, compared to a mere 15% of employees. At least a few reasons exist for the variance in age patterns of self-employed people versus employees. Younger people under 25 are less likely to have the skill-set and/or capital resources needed to start and operate a business of their own. For older workers, self-employment could be used as a

transition from working at a full-time job to moving into retirement.

Another difference between self-employed persons and employees is with regard to gender. In 2010, almost two-thirds (64%) of B.C.'s self-employed were men, while employees are slightly more likely to be women. Although female entrepreneurs remain less numerous, women have a strong presence in B.C.'s business landscape. In 2010, over 36% of self-employed in British Columbia were women. This was slightly higher than the national average of 35% and the second highest rate among the provinces. B.C. trailed only New Brunswick (38%) in terms of the share of businesses owned by women last year.

The proportion of BC small businesses owned by women is above the national average



Source: Statistics Canada / Prepared by BC Stats

Differences in the number of hours worked per week also distinguish the self-employed from employees in British Columbia. On average, the self-employed work much longer days. About 26% of self-employed individuals work 50 or more hours per week, compared to just four percent of employees. The average work week for the self-employed has fluctuated only slightly (between about 37 and 40 hours), while the average for employees has remained even more stable, hovering around 35 since at least 2000.

Examining self-employment trends for Aboriginal peoples in British Columbia highlights the diversity of small business owners in the province. Aboriginal people living off-reserve continue to be significantly less likely to be self-employed than non-Aboriginals. In 2010, 13.7% of Aboriginal people in B.C. were self-employed, compared to 19.3% of non-Aboriginals. Given the older age composition of self-employed individuals compared to those who are employees, the fact that the province's Aboriginal population is significantly younger relative to the population overall could partly explain this difference.³ Those Aboriginals who defined themselves as Métis were more likely to be self-employed (15.9%) than those who identified as North American Indian (12.2%).

The Mainland/Southwest region is BC's leader in small business growth

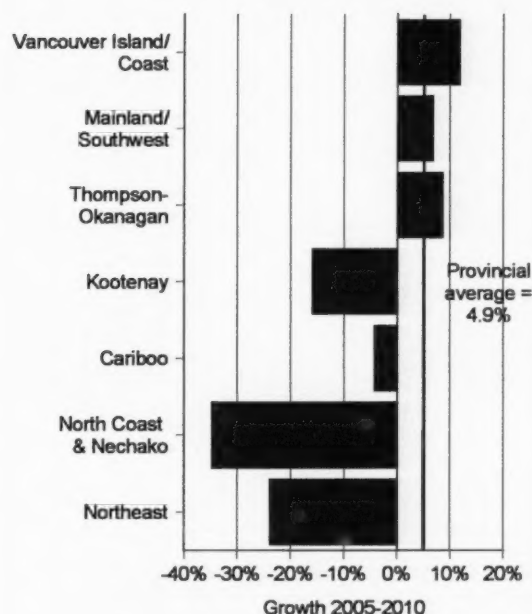
Between 2007 and 2010, four of British Columbia's regions recorded growth in the number of small businesses. Over this period, the Mainland/Southwest region led the province with an increase of 5.3%. This translates into an addition of 11,600 businesses over the period. Vancouver Island/Coast (+3.8%) was second in terms of small business growth,

adding about 2,600 net new small businesses, followed by Thompson-Okanagan (+1.5%), which saw its small business count jump by 700. Of the regions to show declines, Northeast appears to have suffered the greatest loss, experiencing a decline of about 2,400 businesses (-29.9%). However, North Coast and Nechako (-17.3%, or 1,300 businesses) and Kootenay (-8.1%, or a loss of 1,300 businesses) were also significantly impacted. The Cariboo region experienced marginal growth in the number of small businesses, with an expansion rate of 0.6% (+100 businesses) between 2007 and 2010.

Between 2005 and 2010, the Vancouver Island/Coast region showed the strongest growth in the number of self-employed. This region boasted an 11.7% increase in self-employment, more than three percentage points higher than the next fastest growing region, Thompson-Okanagan (+8.5%). Mainland/Southwest (+6.7%) was the only other region to see a boost in entrepreneurs. Meanwhile, North Coast and Nechako experienced a hefty decline of 34.8%. Northeast and Kootenay also saw double-digit drops in self-employment over this five-year period, while the Cariboo region posted a more moderate loss.

³ For more on British Columbia's Aboriginal population, including specific labour characteristics, see BC Stats' Aboriginal Peoples of British Columbia:
www.bcstats.gov.bc.ca/data/lss/abor/ap_index.asp

*Self-employment growth rate highest in
Vancouver Island/Coast*



Source: Statistics Canada / Prepared by BC Stats

BC's small business horizon

While relatively few British Columbia small businesses exported goods in 2009, they shipped approximately \$10.9 billion worth of merchandise to international destinations, representing over 47% of the total value of goods exported from the province.

Clearly, the small business sector is already an important part of the British Columbia economy and new technology could help it grow and become even more essential in the future. Small business plays a crucial role in the economy of British Columbia, not only in terms of its contribution to economic output, but also by providing an abundance of jobs for British Columbians. As the provincial economy continues to diversify, the importance of small business is poised to continue to grow.